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Research:

Summary: Bangor, ME; Tax Secured, General Obligation

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Credit Profile

\$6.91 mil GO bnds ser 2003A dtd 02/01/2003 due 11/01/2023 AA-

Sale date: 11-FEB-2003

\$3.5 mil GO bnds ser 2003B dtd 02/01/2003 due 10/01/2012 AA-

Sale date: 11-FEB-2003

AFFIRMED

\$5.816 mil. Bangor

AA-

\$34.030 mil. Bangor GO pension oblig bnds ser 2002B dtd 03/01/2002 due 06/01/2003-2013 2026
AAA/AA-(SPUR)

OUTLOOK:

STABLE

■ Rationale

The 'AA-' rating on Bangor, Maine's GO bonds reflects the city's:

- Position as the center of economic activity for the northern and eastern portions of Maine,
- Sound and consistent financial position with strong financial policies and management,
- Below-average wealth levels, and
- Moderate and manageable debt burden.

Bangor, the third-largest city in Maine, with a population of 31,473, is 140 miles northeast of Portland. The city is the employment and commercial center of an 11-community area. It is served by five exits on Interstate 95, numerous state routes, and Bangor International Airport. Wealth, as indicated by median household effective buying income, was below average in 2001, at 13% below the state average and 27% below the national average. Although wealth indicators are below average, retail sales are substantially above average (328% of the nation).

The downtown area of Bangor, four malls, Eastern Maine Medical Center, three other hospitals, several colleges, and the University of Maine in neighboring Orono are the commercial and cultural centers for eight counties in eastern and northern Maine. This area includes one third of the population of the state. The city's diverse tax base has grown to \$1.69 billion, exhibiting slow, but steady, growth, and is above average on a per capita basis at \$54,000. The current unemployment rate is low at 2.8%.

Through consistent and prudent budgeting practices, the city has had budget surpluses in each of the past 10 years. The city's charter requires maintaining the undesignated and unreserved fund balance between 5% and 10% of the prior year's expenditures, which exceeded 13.7% at fiscal year-end 2002. The fiscal year-end 2002 total general fund balance was 17.3% of operating expenditures. Through the first half of fiscal 2003, the budget appears to be balanced, even with a \$125,000 deficit in state aid.

Bangor's total direct and overlapping debt per capita is now moderate at \$2,190, with the debt-to-market value also moderate at 4.1%. The debt service carrying charge is low at 1% of operating expenditures, and amortization is appropriate. The city's five-year capital improvement plan totals \$113 million, of which about \$50 million will be financed by revenue and GO bonds. The city expects to issue about \$8 million in GO bonds and \$7.7 million in revenue bonds for fiscal 2003.

■ Outlook

The stable outlook reflects Standard & Poor's Ratings Services' expectation of the city's continued status as a regional economic engine and retail center, and its maintenance of historically solid fiscal and debt profiles.

